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C O N F I D E N T I A L SECTION 01 OF 02 VILNIUS 000306

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TAGS: [ENRG](#) [PREL](#) [ECON](#) [EUN](#) [XG](#) [LH](#)
SUBJECT: LITHUANIAN PLANS TO EXTEND IGNALINA NUCLEAR POWER
PLANT (INPP) OPERATION

REF: A. VILNIUS 77
[1](#)B. VILNIUS 239

Classified By: Political/Economic Section Chief Rebecca Dunham for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: The GOL may ask the EU to approve extending the life of Ignalina Nuclear Power Plant's (INPP) second unit, which is scheduled to be shut down no later than December 31, 2009 in accordance with Lithuania's EU accession treaty. (Note: Unit One was shut down in 2004.) The GOL and members of the Seimas (parliament) differ on how to approach the EU on this sensitive issue in the wake of European Commission President Barroso's March 29 warning to the Seimas that an extension is not feasible. The GOL plans to present the EU with studies evaluating the negative economic impact of the scheduled shutdown. Parliamentarians prefer a more political approach that emphasizes the need for Lithuania to avoid over-dependence on Russian energy. End summary.

The EU's preemptive "no" to extension . . .

[1](#)2. (U) Jose Manuel Barroso, president of the European Commission, addressed a March 29 session of the Seimas commemorating the 50th anniversary of the Treaty of Rome. Responding to an MP's question about the possibility of extending the operation of Ignalina's second reactor, Barroso was firmly negative. Barroso stated that he sees no possibilities for Lithuania to extend Ignalina's operation past 2009, and reminded the Seimas that Lithuania pledged to shut down and decommission the nuclear plant as part of its EU accession treaty. He said that attempts to change the terms of the treaty to extend Ignalina would require Lithuania to get the agreement of every EU member state, which he evaluated as impossible. Barroso urged Lithuania to abide by the terms laid out in the accession treaty and told the lawmakers that the sanctity of EU treaties is part of what allows the EU to function.

[1](#)3. (U) Prime Minister Kirkilas also spoke out in early April against the parliament's draft legislation to extend the life of INPP Unit Two and warned that if it continued functioning, Lithuania would face EU sanctions. Kirkilas opined that it would not be possible to get the assent of all other EU member states, particularly Germany and Austria, required to change the EU accession treaty. Kirkilas also warned that if Ignalina is not shut down on schedule, Lithuania would have to repay the EU funds allocated for the plant's decommissioning and would subsequently have to pay these costs out of its own pocket. Kirkilas allowed that if the parliament votes to approach the EU on extending Ignalina's operation, the GOL would start consultations, but said that he doubted that consultations would bring any new answers. President Adamkus also warned in early April that extending

the life of Ignalina's second reactor past 2009 would violate Lithuania's international obligations and could have "unpredictable consequences," including harming Lithuania's reputation as a reliable partner.

But Eurocrats unlikely to stop Lithuania from trying

14. (C) Despite the Prime Minister's public condemnation of parliament's plans, both the Seimas and GOL support appealing to the EU to allow Lithuania to extend the life of Ignalina's second reactor until 2015, when a new nuclear power plant is scheduled to come online. Prime Ministerial energy advisor Saulius Specius told us March 28 that the extension is not as dead an issue as the EU wants to think it is. He said that the GOL believes that it has the legal right to apply for an extension based on Article 37 in Protocol 4 of its EU Accession Treaty.

15. (U) Article 37 states: "If, until the end of a period of up to three years after accession, difficulties arise which are serious and liable to persist in any sector of the economy or which could bring about serious deterioration in the economic situation of a given area, a new Member State may apply for authorization to take protective measures in order to rectify the situation and adjust the sector concerned to the economy of the common market...The measures authorized . . . may involve derogations from the rules of the EC Treaty and from this Act to such an extent and for such periods as are strictly necessary in order to attain the objectives. . . . Priority shall be given to such measures as will least disturb the functioning of the common market."

16. (C) Specius said that the GOL wants to make the extension

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a technical issue rather than a political issue. GOL legal experts believe that the legal language in the EU Accession treaty allows Lithuania to apply to continue operating INPP if the alternative would seriously damage the economy. To that end, said Specius, the government is calculating Lithuania's energy needs during the expected "energy gap:" the period between closing INPP Unit Two and bringing a new nuclear plant on line. Specius said that the GOL is fully aware they will have to convince a skeptical audience in the EU, but believes that technical evidence of an impending crisis will be enough -- both legally and politically -- to change hearts and minds in Brussels. He also said that if the GOL's analysis shows that Lithuania would not be harmed by closing Unit Two, then "we won't ask" to extend its life. He was uncertain about when the GOL would complete its study.

Parliament paving a different route to the same goal

17. (C) Meanwhile, the parliament has opted for a noisier, more populist approach. On April 3, parliament held a session to discuss the consequences of closing INPP Unit Two in 2009 as part of an effort to rally members of parliament to vote in favor of requesting the extension. Several scientific luminaries presented arguments for extending INPP's life. They argued that INPP's extensive safety upgrades now rendered the EU's original concerns about the facility anachronistic. (Note: This assessment stands in stark contrast to the assessment we were given by a Lawrence Livermore National Lab nuclear physicist who sat on the international steering committee that oversaw the security and safety upgrades of INPP. In his opinion, though INPP is now probably as safe as it can be, its "fundamentally crappy design" means that it can never meet western safety standards.) Some also cited the economic damage clause of Protocol 4 of the EU Accession Treaty, highlighting the potential harmful consequences to Lithuania from increased energy prices. Several also cautioned against relying even more on an increasingly unpredictable Russia for electricity.

¶8. (U) Minister of Economy Vytas Navickas acknowledged at the Seimas session that Lithuania will probably see a 39 percent increase in the price of electricity after Unit Two's shutdown. He cautioned, however, that if Lithuania reneged on its pledge to close it, the GOL might have to return the EUR 80 million in EU funds it has already received for INPP's decommissioning.

¶9. (U) Parliament continues to debate the issue. Opposed by many in the governing coalition, but heavily favored by the opposition, parliamentary leaders have repeatedly managed to prevent this draft legislation from coming to the floor for a final vote.

Comment

¶10. (C) There is no imminent energy shortage in Lithuania. Rhetoric from politicians about a looming "energy gap" reflects fears that Lithuania will become more dependent on Russian energy after Ignalina shuts down, as well as disquiet over the loss of revenue from exporting excess electricity. Planned projects that could provide alternatives to Russian electricity imports, like links to the western European energy grids via Poland and/or Sweden (ref A), will not be available until 2011 at the earliest. A new nuclear power plant (ref B) won't be ready before 2015, and probably not until later.

¶11. (C) But Lithuania can already produce enough energy to cover its needs by increasing output from traditional (and soon-to-be-upgraded) gas-fired plants or it can import electricity from Russia. Both options involve increasing reliance on Russian energy sources; gas-fired plants such as Elektrenai will require substantial increases in natural gas imports from Russia. Projections of the increased cost of post-Ignalina electricity from the Minister of Economy, National Energy Strategy, and the Lithuanian Energy Institute range from 40 to 100 percent higher. It is nearly impossible to make accurate estimates in part because the price of Russian natural gas in the 2010-11 timeframe is nearly unknowable. Regardless of the financial costs, the prospect of long-term reliance on Russia for yet another source of energy appears galling (and perhaps even dangerous) to the many Lithuanians who believe that Russia already uses energy exports as a political tool to achieve the Kremlin's goals.

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